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December 30, 1996

EX PARTE

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45

Dear Mr. Caton:

In accordance with the Commission's rules regarding ex parte presentations, please be advised that on Friday, December 27, 1996, Glen Sims and Pat Constable, representing Southwestern Bell Telephone Company (SWBT), met with Commissioner Ken McClure, Paul Pederson, and Tom Solt of the Missouri Public Service Commission. The purpose of the meeting was to discuss SWBT's stated positions in the above-referenced rule making docket.

Written materials, which were used during the presentation, are attached to this letter for inclusion into the official record in this docket. Pursuant to Section 1.1206(a)(1) of the Commission's rules, 47 C.F.R. Sec. 1.1206(a)(1), two copies of this letter and the supporting materials are provided for your use.

Due to the late hour at which the meeting concluded, we are filing this notification with your office today. Should you have any questions concerning the foregoing, do not hesitate to contact me.

Sincerely,

Todd F. Silbergeld

Attachment

cc: Federal-State Joint Board on Universal Service
Ms. Levitz
Mr. Peterson
Ms. Poltronieri

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List ABCDE

Federal Universal Service Support

A Comparison Of Net Revenues By State

Federal Universal Service Support
A Comparison Of Net Revenues By State

INDEX

NOTE: All data is sourced to "1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisions of Different Benchmarks", *Response to Request from the NARUC Communications Committee, December 4, 1996; Revised December 13, 1996*, Telecommunications Industries Analysis Project, Carol Weinhaus, Director.

TAB 1

Southwestern Bell
Telephone Company

Federal Universal Service Support

An Analysis of Federal Options for Universal Service Support and the Revenue Impact on Southwestern Bell Areas

Prepared by Pat Constable and Glen Sims
Separations and Settlements Division

Introduction

The Telecommunications Act of 1996 requires the implementation of mechanisms to maintain universal telephone service. The Act required that the mechanisms be specific, predictable and sufficient. The Federal/State Joint Board issued a Recommended Decision (11/8/96) with options on how a Federal Universal Service Fund (USF) should be sized and funded.

The Joint Board recommended:

- The use of each telecommunications provider's revenues to determine the amounts to be paid into the fund.
- The size of the fund to be based on proxy costs and a revenue benchmark.
- The amount of funding received by each LEC be determined on the LEC's benchmark proxy cost by Census Block Group (CBG).

The Joint Board postponed the following pending further evaluation:

- Which telecommunications providers would have to pay in to the fund.
- Which revenues should be used (i.e. interstate only, or total interstate and intrastate).
- Which Proxy model should be used (Benchmark Cost Model 2 (BCM2), Hatfield, et al.).
- At what level the revenue benchmark should be set (annual costs above $20, $30, $40, etc.).

In response to a request from the National Association of Regulatory Utility Commissioners (NARUC), the Telecommunications Industries Analysis Project (TIAP), of which Southwestern Bell Telephone (SWBT) is a participant, populated a model which calculates USF for different revenue and benchmark levels. Using the BCM2 and Hatfield proxy model results, the TIAP model calculates and displays USF size and the funding amounts by state for the various options. This allows each state to evaluate the impacts of the options.

SWBT has summarized the TIAP information to show the impacts by RBOC area and SWBT's five state area. Additionally, SWBT isolated the net impacts of the proposed support received and paid for its own telephone operations. This report summarizes and presents the results from the TIAP model used to analyze the impact of using a Revenue Base for Federal Universal Service Support determination for SWBT. The net gain or loss in support funds for SWBT is calculated for the various revenue, proxy model and annual benchmark levels.

The objective of this analysis is to examine the effect of using the proxy models on USF on the industry as a whole, on the individual states and on each individual service provider. It is important to look at all three to ensure that the proxy used for USF reflects a balanced distribution of support to states and to service providers.

The TIAP Model

The Joint Board is currently evaluating who pays, and is deciding whether it should be based on industry interstate revenues, or industry interstate plus intrastate revenues. The TIAP model uses revenues from the total telecommunications industry to calculate the amount to be paid on a state level. The model is built to calculate payments both on interstate revenues only and total interstate plus intrastate revenues.

Industry revenues consist of IXC, LEC (large and small), wireless companies, competitive access providers (CAPs), cable television companies providing telecommunication services and others. The revenues reflect net amounts; gross revenues with access revenue payments excluded. For more information regarding the development of revenue amounts see, "1995 Calculated Interstate and Intrastate Revenues for the Proposed Universal Service Fund and Formats for Comparisons of Different Benchmarks" (Produced by the Telecommunications Industries Analysis Project, December, 1996).

Using proxy cost results from the BCM2 and the Hatfield models, the TIAP model calculates the amounts to be paid into the fund by providers in each state. This is done for each benchmark cost level (i.e. above $20, $30, etc.) and for both interstate only and interstate and intrastate revenues. The model calculates the net support gain or loss for each state by subtracting the support to be paid from the proxy support amounts to be received.

Description of the Proxy Cost/Revenue Netting Process

The calculation of the net gain or loss for each benchmark level is based on an algorithm supplied to TIAP by NARUC. That algorithm is fully explained in their paper, "The Revenue Base for Federal Universal Service Support", *A Report to State Public Utility Commissioners by the Staff Subcommittee on Communications of the NARUC*, issued December 8, 1996. In brief, the algorithm works as follows, for purposes of this exercise:

- The level of cost support for each local service provider is determined based on the amount of proxy costs in excess of a given benchmark level ($20, $30, $40, etc.) as determined by the model sponsor,
- Those cost support requirements are aggregated at the state level (NOTE: this amount will change for each proxy method and for each benchmark level),
- Total State plus Interstate (or Interstate only) revenues are determined for each state based on each state's respective revenue sources according to estimates (NOTE: this amount will not change, regardless of the proxy method or benchmark level selected),
- The total support required and the total revenue base is aggregated at the nationwide level,
- The relationship between the total nationwide support required and the total nationwide revenue base is expressed in terms of a USF percentage,
- The nationwide USF percentage is then applied against each state's respective revenue base to determine the amount each state's revenues to be paid into the federal high cost program,
- Each state's respective paid-into revenues is then deducted from that state's cost support requirements determined above, to obtain the Net Gain/Loss by state.

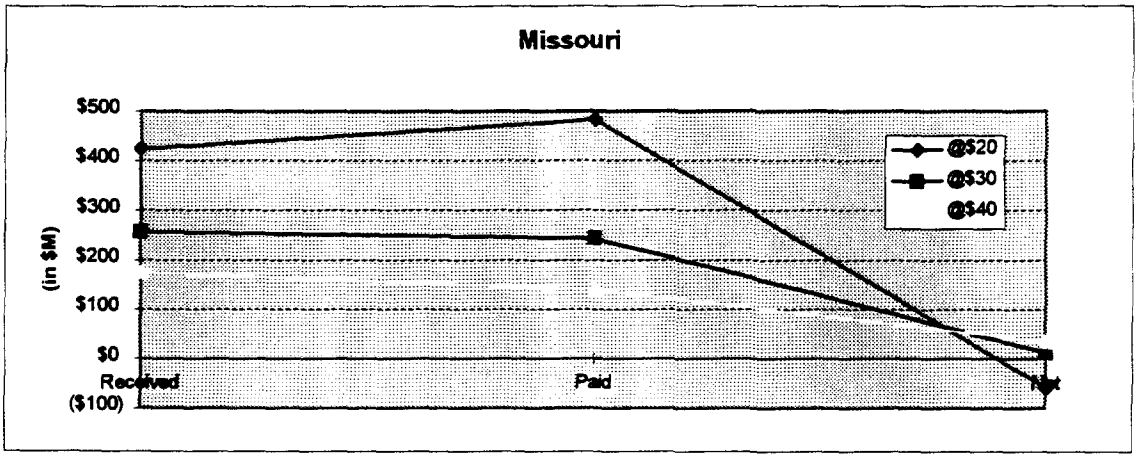
That algorithm results in interesting curves in the net trends. First of all, for each state, the trend of costs required in each state peaks at different benchmark levels based on the proxied cost characteristics of local service providers within that state. In other words, the provision of telephone service is simply more expensive in some states than in others, according to the cost proxy estimates.

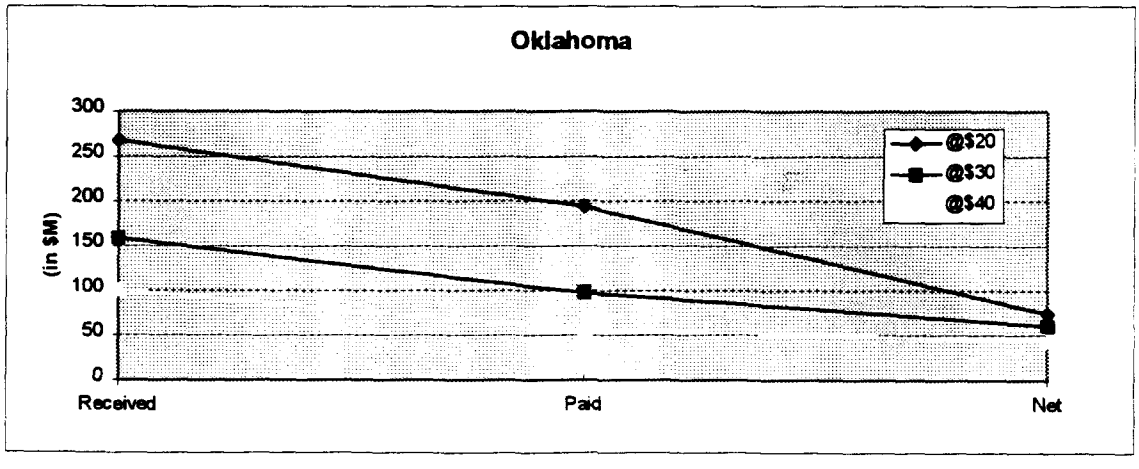
Secondly, while the revenue base (interstate plus state sources, or interstate only) for each state remains constant from option to option, their proportion of pay-out changes for each benchmark due to the application of the nationwide relationship of costs to state-specific revenues. A relationship between each state's respective costs to its respective revenues might result in a trend more like that of the costs, described above. However, the trend line that results from applying the nationwide relationship to state-specific revenues creates peaks in different places than the cost trend. This can clearly be seen for the state of Missouri in the following example.

Southwestern Bell Regional (including all LECs) Results
Based on BCM2 Proxy Costs and Interstate-Only Revenues

Missouri	Support Received	Revenues Paid	Net Gain/(Loss)
@$20 Benchmark	$424M	$483M	($58M)
@$30 Benchmark	$257M	$244M	$13M
@$40 Benchmark	$175M	$140M	$35M

Oklahoma	Support Received	Revenues Paid	Net Gain/(Loss)
@$20 Benchmark	$268M	$194M	$74M
@$30 Benchmark	$159M	$98M	$61M
@$40 Benchmark	$101M	$56M	$45M





Southwestern Bell Analysis

The attached analysis is done on both an total industry combined revenue (interstate and intrastate) basis and an interstate revenue only basis. Both BCM2 and Hatfield proxy results were used and presented. The results have been grouped as follows:

- Proxy support to be received, support to be paid and the net gain or loss (the difference) by state on a summary RBOC area basis.
- Proxy support to be received, support to be paid and the net gain or loss (the difference) for states in which Southwestern Bell operates.
- Proxy support to be received, support to be paid and the net gain or loss (the difference) for Southwestern Bell Telephone Company operations.

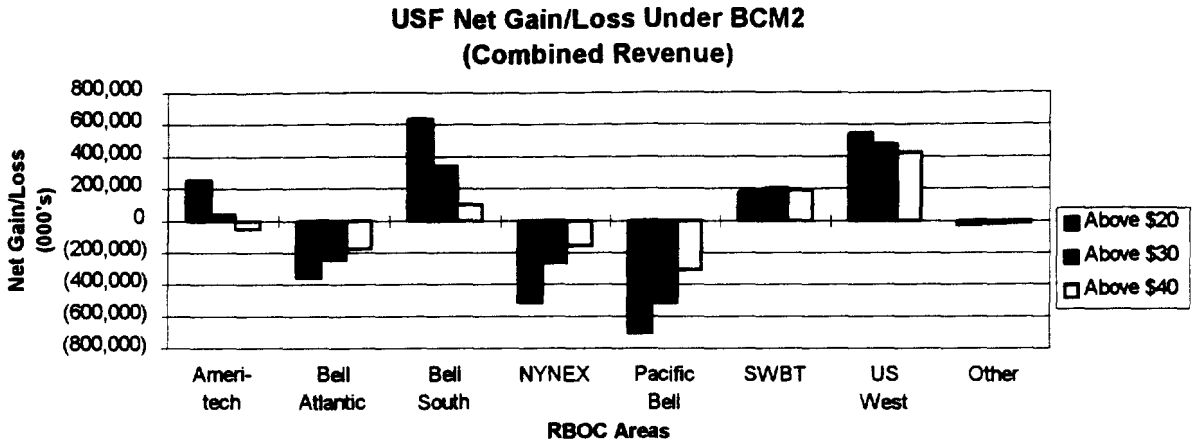
The net gain or loss was figured on benchmark amounts of costs above $20, above $30 and above $40. Essentially, costs for an area above these benchmark amounts were considered to be eligible for support.

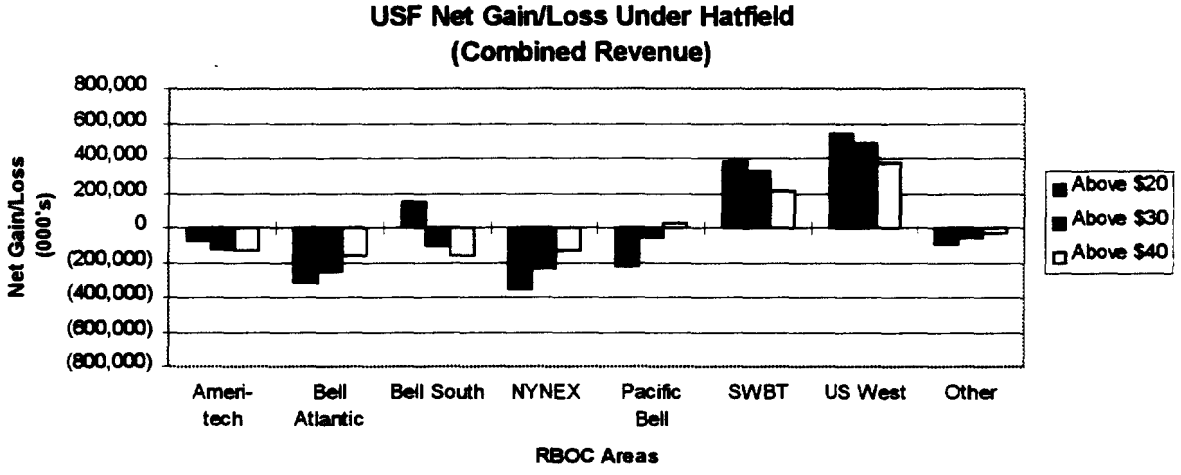
RBOC Area Analysis

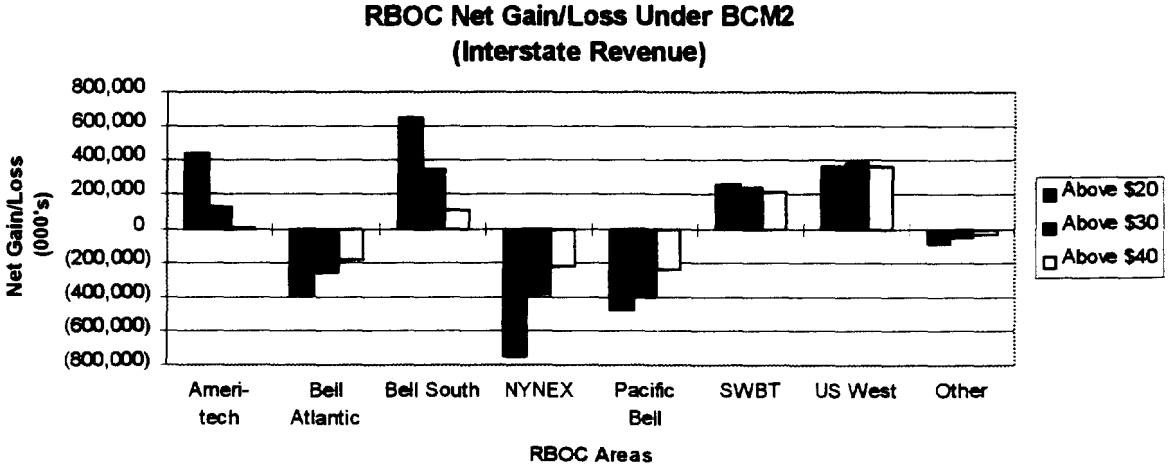
The data was processed on a state-specific basis. The support received and paid was then summarized by RBOC areas. Several states (Alaska, Connecticut and Hawaii) did not fall into one of the RBOC groupings, and so were totaled together under "Other Areas". The charts that follow detail the net gain or loss in USF for the RBOC areas using combined interstate and intrastate revenues and interstate revenues only under the various benchmark options. The amounts to be paid or received for all the options can be found in Attachment 1.

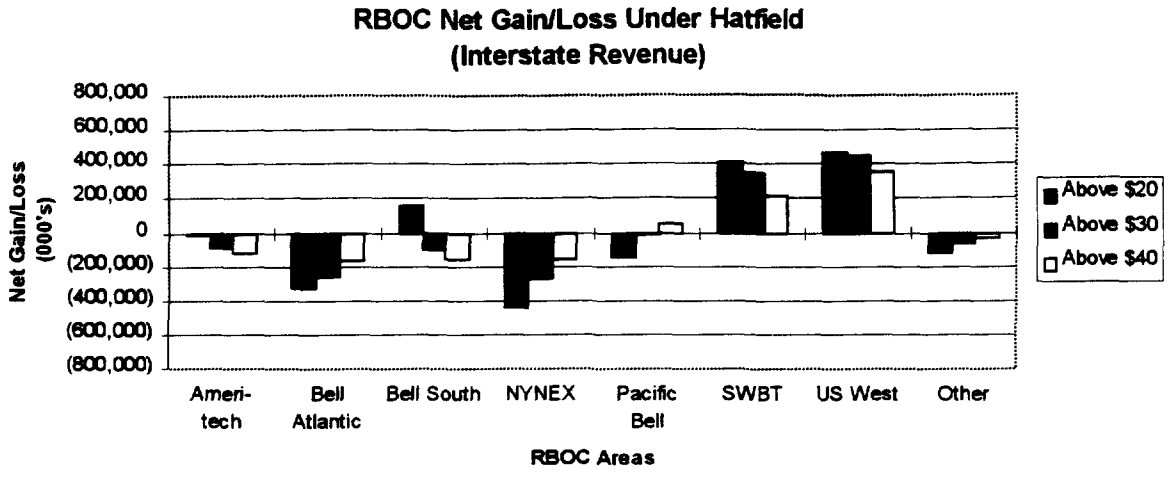
The fund size for BCM2 is always larger than Hatfield under all benchmark cost levels, due to the difference in which costs are used each model. The BCM2 proxy model includes many costs which the Hatfield model excludes. For both BCM2 and Hatfield, the support paid and the support received follow a downward trend as the benchmark cost amount increases. Since the total support is based upon the amount of cost that is greater than the benchmark level, it is logical that the fund size decreases for both proxy models and the benchmark cost level increases. Since the net gain or loss of USF is the difference between the amount received and the amount paid, it may be less predictable.

The net gain or loss changes when only interstate revenues are used to determine USF payments, but the areas that receive and pay stay the same. The net USF increases in general for the states because by using interstate revenues as a basis for fund payments, interstate telecommunications providers have a larger percentage of the total industry amounts and thus will be paying a larger portion to the fund.


USF Net Gain/Loss Under BCM2
(Combined Revenue)
800,000
600,000
400,000
200,000
0
(200,000)
(400,000)
(600,000)
(800,000)
Net Gain/Loss (000's)
Ameri-tech
Bell Atlantic
Bell South
NYNEX
Pacific Bell
SWBT
US West
Other
RBOC Areas
Above $20
Above $30
Above $40


USF Net Gain/Loss Under Hatfield
(Combined Revenue)
800,000
600,000
400,000
200,000
0
(200,000)
(400,000)
(600,000)
(800,000)
Net Gain/Loss (000's)
Ameri-tech
Bell Atlantic
Bell South
NYNEX
Pacific Bell
SWBT
US West
Other
RBOC Areas
Above $20
Above $30
Above $40

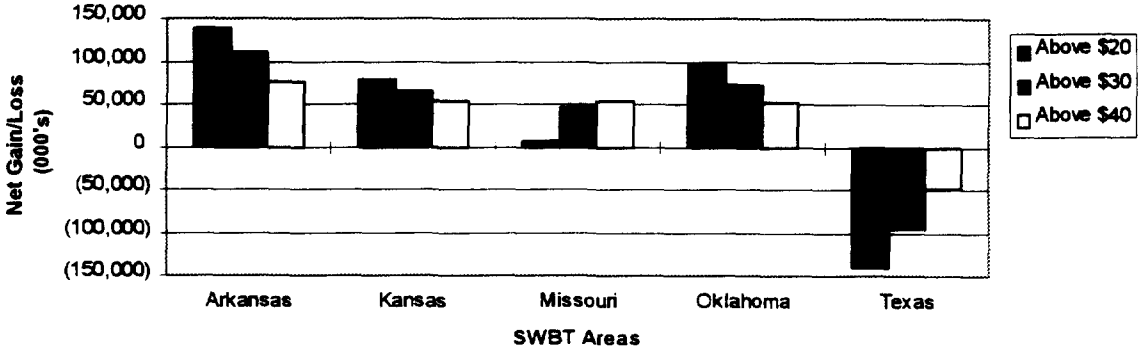

RBOC Net Gain/Loss Under BCM2
(Interstate Revenue)
800,000
600,000
400,000
200,000
0
(200,000)
(400,000)
(600,000)
(800,000)
Net Gain/Loss (000's)
Ameri-tech
Bell Atlantic
Bell South
NYNEX
Pacific Bell
SWBT
US West
Other
RBOC Areas
Above $20
Above $30
Above $40



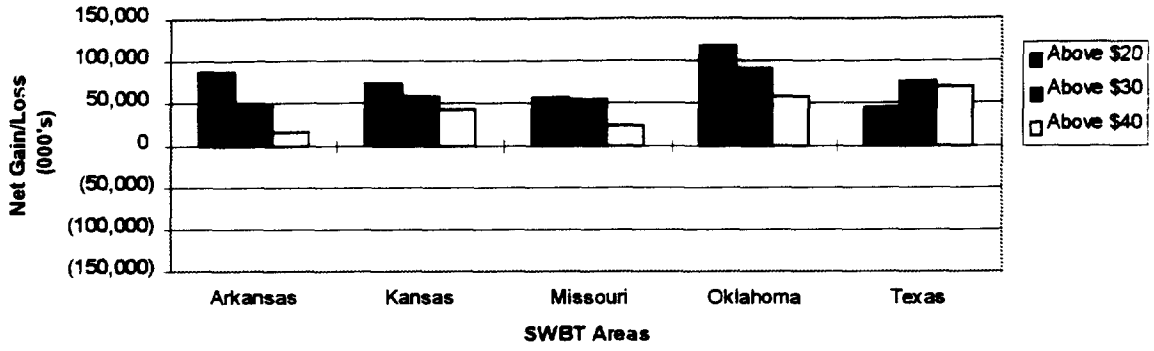
States in Southwestern Bell Area Analysis

The next step was to analyze the support received and paid within the five state area in which SWBT operates. The charts below show the net gain or loss in USF for the states in SWBT operating areas using combined interstate and intrastate revenues and interstate revenues only under the various benchmark options. The state areas would be receivers of USF under almost all options, with the exception of Texas, using the BCM2 model. (See specific SWBT detail in Attachment 1).

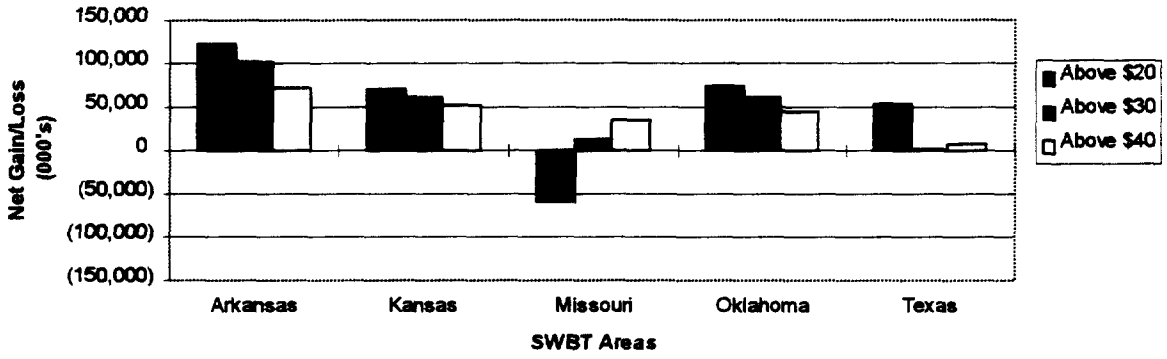
More analysis should be done to determine the net impact on the individual service providers within each state. Due to the interstate carriers having a larger percentage of the fund payment, more USF ends up in SWBT's states using interstate revenues rather than combined interstate and intrastate revenues.



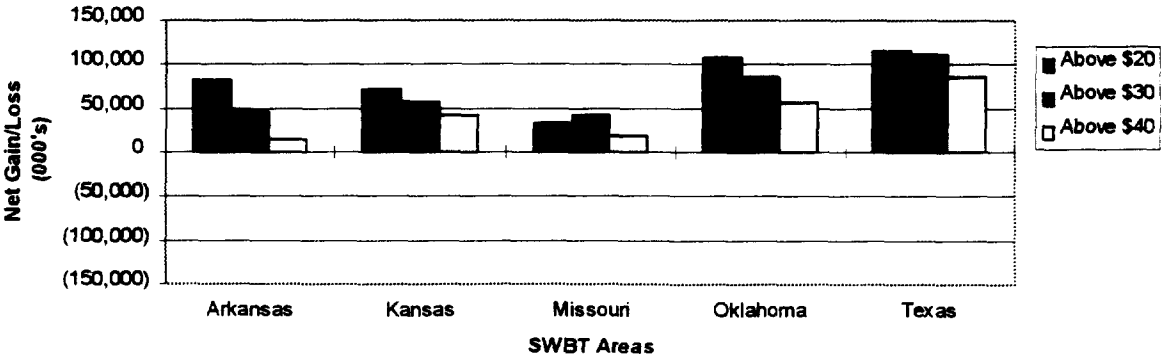
USF Net Gain/Loss Under Hatfield - SWBT Areas
(Combined Revenue)



USF Net Gain/Loss Under BCM2 - SWBT States
(Interstate Revenue)



USF Net Gain/Loss Under Hatfield - SWBT Areas
(Interstate Revenue)

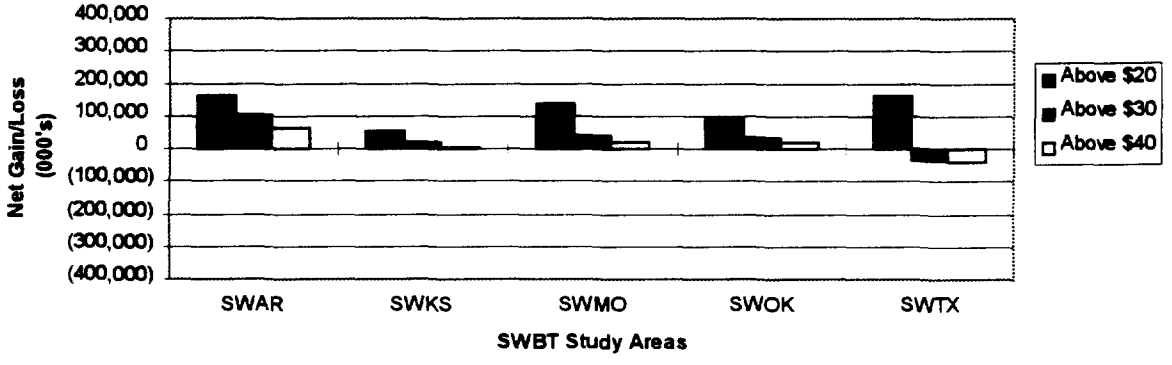


To determine the impact of the various options within the model for SWBT specifically, the state support results amounts from both the BCM2 and the Hatfield proxy models were replaced with SWBT costs from those models. Also, SWBT interstate only and combined interstate and intrastate revenues replaced the state industry revenues. The total industry fund determined by proxy results and the total industry revenues used to determine payments remained unchanged. The SWBT revenues represent SWBT Operations only.

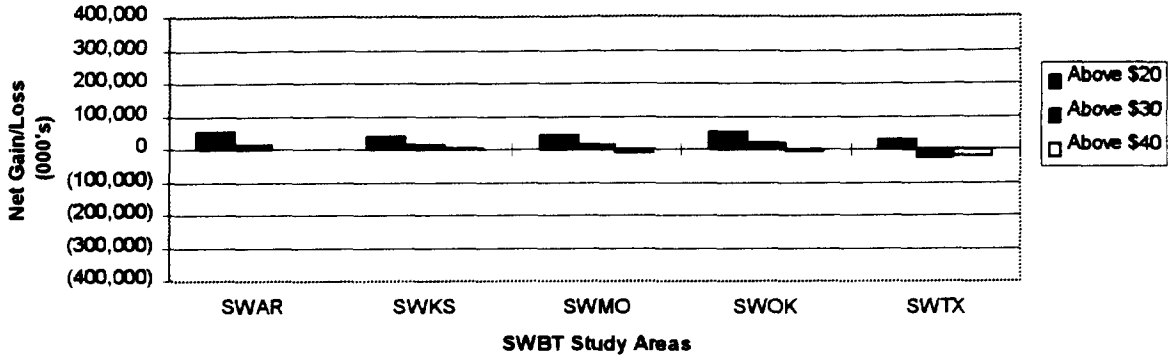
The BCM2 consistently assigns more support received than the TIAP model assigns to SWBT to be paid. This is true for both revenue options, as well as the three benchmark levels. The Hatfield model also generally assigns more support received than paid for SWBT, however, the total net gain is significantly smaller for the $20 and $30 benchmark levels, and shows a loss for the $40 level. (See specific SWBT detail in Attachment 1).

The charts that follow show the net gain or loss in USF for SWBT using combined interstate and intrastate revenues and interstate revenues only under the various benchmark options. Using SWBT interstate revenues only, the net gain or loss for SWBT study areas increases dramatically for both BCM2 and Hatfield. This is again due to interstate providers paying a larger percentage of the fund, but is also a result of using SWBT specific revenues which result in a significantly lower percentage of fund payment.

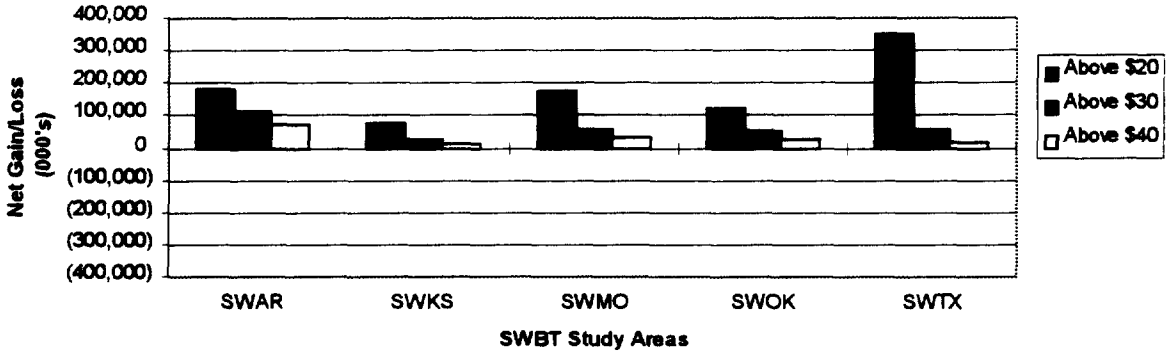
USF Net Gain/Loss Under BCM2 - SWBT
(Combined Revenue)



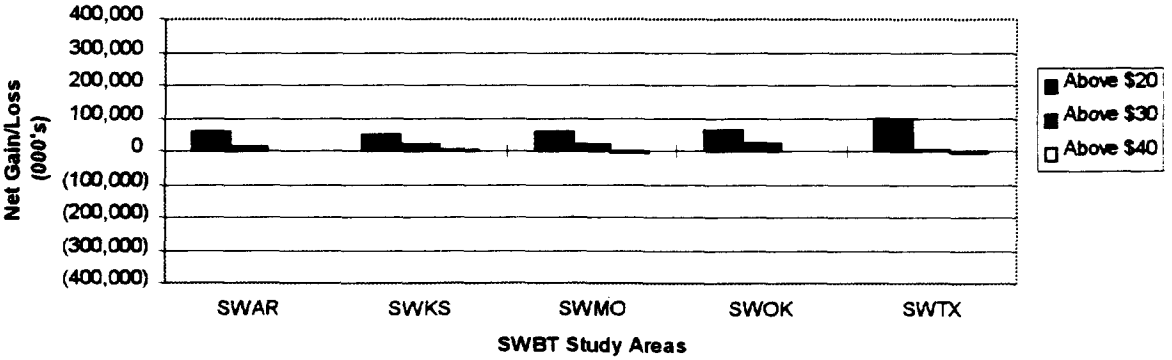
USF Net Gain/Loss Under Hatfield - SWBT
(Combined Revenue)



USF Net Gain/Loss Under BCM2 - SWBT
(Interstate Revenue)



USF Gain/Loss Under Hatfield - SWBT
(Interstate Revenue)



Comparisons of Annual Net Revenues per Line

Tabs 2 through 5 contain charts per RBOC regions (including all LECs within the territory) on a cost per line basis. This comparison illustrates that the total net revenue impact per state may exaggerate the level when based on population in the area. Population was not readily available from the TIAP product and lines are used as an easily understood surrogate to show that distribution.

Summary

It is important to note that the net gain and loss figured in the TIAP model and displayed in this report reflects only the net impacts or the difference between what a RBOC area, state area, or SWBT company would receive from the fund based on proxy costs, and what it would pay into the fund based on revenues. Although the support received from and the amount paid to the USF follow a logical decrease as the benchmark cost level increases, the net difference can increase and decrease regardless of the level the benchmark cost is set at.

In every case, BCM2 results in more support being available to fund high cost areas than Hatfield does. However, how the support is paid for and who pays it varies considerably. The BCM2 model produces more balanced, predictable results than the Hatfield proxy model. For the summary by RBOC area, there are equal numbers of "winners and losers" under BCM2, but there are more losers than winners under Hatfield.

For SWBT, the BCM2 model produces more support for its high cost areas than Hatfield. Below are charts which detail SWBT's USF support received and paid and the net gain or loss based on total revenues, for both the BCM and Hatfield proxy models and for benchmark levels of $20, $30 and $40. Although the percentage of support amount paid remains constant as the benchmark level increases, the percentage of support amount received declines. This is due to SWBT serving a significant number of areas with costs that are below the increased benchmark levels.

	BCM Proxy - Combined Revnues								
	Support Received above $20	Support Paid above $20	Net Gain or Loss in Support	Support Received above $30	Support Paid above $30	Net Gain or Loss in Support	Support Received above $40	Support Paid above $40	Net Gain or Loss in Support
Total Industry Fund	14,666			7,425			4,259		
Total SWBT State Areas	2,139	1,959	180	1,191	992	199	756	569	187
SWBT Only	1,362	748	613	541	379	162	289	217	71
Percent of SWBT to Total Industry Fund	9.28%	5.10%	4.18%	7.29%	5.10%	2.18%	6.78%	5.10%	1.67%
Percent of SWBT to Total State	63.64%	38.19%	n/a	45.42%	38.19%	n/a	38.16%	38.19%	n/a

NOTE: All amounts shown in millions

	Hatfield Proxy - Combined Revenues								
	Support Received above $20	Support Paid above $20	Net Gain or Loss in Support	Support Received above $30	Support Paid above $30	Net Gain or Loss in Support	Support Received above $40	Support Paid above $40	Net Gain or Loss in Support
Total Industry Fund	5,329			2,652			1,259		
Total SWBT State Areas	1,092	712	380	683	354	328	379	168	211
SWBT Only	492	272	221	169	135	34	33	64	-31
Percent of SWBT to Total Industry Fund	9.24%	5.10%	4.14%	6.38%	5.10%	1.28%	2.63%	5.10%	-2.47%
Percent of SWBT to Total State	45.10%	38.19%	n/a	24.78%	38.19%	n/a	8.75%	38.19%	n/a

NOTE: All amounts shown in millions

	BCM Proxy - Interstate Revenues								
	Support Received above $20	Support Paid above $20	Net Gain or Loss in Support	Support Received above $30	Support Paid above $30	Net Gain or Loss in Support	Support Received above $40	Support Paid above $40	Net Gain or Loss in Support
Total Industry Fund	14,666			7,425			4,259		
Total SWBT State Areas	2,139	1,880	259	1,191	952	239	756	546	210
SWBT Only	1,362	457	904	541	232	309	289	133	156
Percent of SWBT to Total Industry Fund	9.28%	3.12%	6.16%	7.29%	3.12%	4.17%	6.78%	3.12%	3.66%
Percent of SWBT to Total State	63.64%	24.33%	n/a	45.42%	24.33%	n/a	38.16%	24.33%	n/a

NOTE: All amounts shown in millions

	Hatfield Proxy - Interstate Revenues								
	Support Received above $20	Support Paid above $20	Net Gain or Loss in Support	Support Received above $30	Support Paid above $30	Net Gain or Loss in Support	Support Received above $40	Support Paid above $40	Net Gain or Loss in Support
Total Industry Fund	5,329			2,652			1,259		
Total SWBT State Areas	1,092	683	409	683	340	343	379	161	217
SWBT Only	492	166	326	169	83	86	33	39	-6
Percent of SWBT to Total Industry Fund	9.24%	3.12%	6.12%	6.38%	3.12%	3.26%	2.63%	3.12%	-0.49%
Percent of SWBT to Total State	45.10%	24.33%	n/a	24.78%	24.33%	n/a	8.75%	24.33%	n/a

NOTE: All amounts shown in millions

Conclusions

A similar analysis for each local service provider should be performed and the impacts understood before the Joint Board decides on a model. Data for that analysis is not available from the current TIAP source.

In examining the industry data and SWBT's data, it can be concluded that:

- SWBT benefits by the use of BCM2 proxy costs rather than Hatfield proxy costs, assigning as much as $392 million more to USF using total revenues and $578 million more using interstate revenues.

- SWBT is a net support recipient whether total or interstate revenue is used as the basis of funding. However, the use of interstate revenue would net SWBT as much as $290 million more than using total interstate and intrastate revenue.

- SWBT pays, or funds, a smaller portion of support if interstate revenues are used. Without the intrastate revenues in the calculation, the support relies more heavily on interstate telecommunications providers, such as IXC's.

- More analysis is needed to determine the impact of the two proxy models, the two revenue amounts and the different benchmark cost levels for non-Tier 1 companies.

SWBT has long promoted the use of actual costs for Universal Service support funding. Of the models that are currently being analyzed by the industry and regulators, the BCM2 proxy model since it provides support amounts that are closer to actual cost support requirements. Interstate only revenues should be used rather than total interstate and intrastate revenues. This keeps the responsibility for the majority of the federal USF to be appropriately funded by interstate providers. Lastly, the benchmark level should be reasonable, to ensure that the local service provider can recover the costs of providing reliable and affordable telephone service.

USF SUPPORT BASED ON BCM2 PROXY COST
FUND PAYMENT BASED ON 1995 NET TOTAL INDUSTRY REVENUES

	BCM Annual Costs Above $20			BCM Annual Costs Above $30			BCM Annual Costs Above $40		
	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss
RBOC Areas									
Total Ameritech Area	2,441,248	2,186,828	254,420	1,146,972	1,107,196	39,776	586,173	635,077	(48,904)
Total Bell Atlantic Area	1,646,251	2,005,277	(359,026)	768,209	1,015,277	(247,068)	405,816	582,353	(176,537)
Total Bell South Area	3,563,086	2,928,656	634,430	1,822,590	1,482,786	339,804	950,443	850,512	99,932
Total NYNEX Area	1,281,617	1,799,212	(517,595)	645,744	910,945	(265,202)	365,540	522,510	(156,970)
Total Pacific Bell Area	966,366	1,671,423	(705,056)	328,748	846,246	(517,498)	176,786	485,398	(308,613)
Total Southwestern Bell Area	2,139,396	1,959,221	180,175	1,191,147	991,959	199,188	756,280	568,978	187,302
Total US West Area	2,351,619	1,808,552	543,066	1,390,235	915,675	474,561	947,145	525,222	421,923
Other Areas *	276,006	306,420	(30,414)	131,581	155,141	(23,561)	70,855	88,988	(18,133)
Totals	14,665,589	14,665,589	0	7,425,225	7,425,225	0	4,259,038	4,259,038	0
Southwestern Bell Area									
Arkansas	265,796	127,248	138,548	175,545	64,426	111,119	113,800	36,954	76,846
Kansas	216,663	137,794	78,869	135,529	69,765	65,763	93,776	40,017	53,759
Missouri	423,818	417,448	6,370	256,867	211,355	45,512	175,081	121,231	53,850
Oklahoma	267,610	170,523	97,087	159,072	86,336	72,736	101,089	49,522	51,567
Texas	965,509	1,106,209	(140,699)	464,135	560,076	(95,942)	272,534	321,254	(48,721)
Total Southwestern Bell Area	2,139,396	1,959,221	180,175	1,191,147	991,959	199,188	756,280	568,978	187,302
Southwestern Bell Only									
Arkansas	210,153	48,541	161,612	127,806	24,576	103,230	78,812	14,097	64,715
Kansas	121,119	64,862	56,258	50,375	32,840	17,535	25,671	18,836	6,835
Missouri	257,967	119,223	138,744	100,914	60,363	40,551	55,170	34,624	20,546
Oklahoma	167,710	76,313	91,397	74,427	38,637	35,790	39,610	22,162	17,448
Texas	604,553	439,348	165,204	187,540	222,443	(34,903)	89,297	127,591	(38,294)
Total Southwestern Bell	1,361,502	748,287	613,215	541,062	378,860	162,203	288,560	217,310	71,250

* Includes Alaska, Connecticut and Hawaii

USF SUPPORT BASED ON HATFIELD PROXY COST
FUND PAYMENT BASED ON 1995 NET TOTAL INDUSTRY REVENUES

	Hatfield Annual Costs Above $20			Hatfield Annual Costs Above $30			Hatfield Annual Costs Above $40		
	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss
RBOC Areas									
Total Ameritech Area	718,051	794,681	(76,630)	272,290	395,496	(123,206)	57,265	187,792	(130,527)
Total Bell Atlantic Area	415,129	728,706	(313,577)	109,156	362,662	(253,506)	12,047	172,201	(160,155)
Total Bell South Area	1,210,784	1,064,257	146,527	431,057	529,658	(98,601)	93,892	251,496	(157,604)
Total NYNEX Area	300,862	653,823	(352,961)	95,960	325,394	(229,434)	19,771	154,506	(134,734)
Total Pacific Bell Area	380,683	607,385	(226,702)	249,906	302,283	(52,377)	173,158	143,532	29,626
Total Southwestern Bell Area	1,091,998	711,970	380,028	682,682	354,332	328,349	378,876	168,246	210,630
Total US West Area	1,192,914	657,218	535,696	811,085	327,083	484,001	524,385	155,308	369,078
Other Areas *	18,969	111,351	(92,382)	190	55,417	(55,227)	0	26,314	(26,314)
Totals	5,329,391	5,329,391	0	2,652,326	2,652,326	0	1,259,395	1,259,395	0
Southwestern Bell Area									
Arkansas	134,133	46,241	87,892	72,090	23,013	49,076	26,784	10,927	15,857
Kansas	124,251	50,074	74,178	83,710	24,921	58,790	54,375	11,833	42,542
Missouri	207,657	151,698	55,959	130,198	75,497	54,701	60,575	35,848	24,727
Oklahoma	178,904	61,967	116,937	120,934	30,840	90,094	73,339	14,644	58,695
Texas	447,053	401,990	45,063	275,750	200,062	75,688	163,804	94,995	68,809
Total Southwestern Bell Area	1,091,998	711,970	380,028	682,682	354,332	328,349	378,876	168,246	210,630
Southwestern Bell Only									
Arkansas	69,186	17,639	51,547	22,391	8,779	13,612	3,454	4,168	(714)
Kansas	62,847	23,570	39,277	24,851	11,730	13,121	8,646	5,570	3,076
Missouri	87,107	43,325	43,782	36,329	21,562	14,768	165	10,238	(10,073)
Oklahoma	82,780	27,732	55,048	32,552	13,801	18,751	1,957	6,553	(4,597)
Texas	190,567	159,657	30,910	53,074	79,458	(26,384)	18,924	37,729	(18,804)
Total Southwestern Bell	492,488	271,923	220,564	169,197	135,330	33,867	33,146	64,258	(31,112)

* Includes Alaska, Connecticut and Hawaii

USF SUPPORT BASED ON BCM2 PROXY COST
FUND PAYMENT BASED ON 1995 NET INTERSTATE INDUSTRY REVENUES

	BCM Annual Costs Above $20			BCM Annual Costs Above $30			BCM Annual Costs Above $40		
	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss
RBOC Areas									
Total Ameritech Area	2,441,248	2,004,358	436,890	1,146,972	1,014,812	132,160	586,173	582,086	4,087
Total Bell Atlantic Area	1,646,251	2,036,562	(390,311)	768,209	1,031,117	(262,908)	405,816	591,439	(185,623)
Total Bell South Area	3,563,086	2,912,158	650,928	1,822,590	1,474,433	348,157	950,443	845,721	104,723
Total NYNEX Area	1,281,617	2,030,711	(749,095)	645,744	1,028,154	(382,411)	365,540	589,739	(224,200)
Total Pacific Bell Area	966,366	1,446,298	(479,932)	328,748	732,264	(403,517)	176,786	420,020	(243,234)
Total Southwestern Bell Area	2,139,396	1,879,957	259,439	1,191,147	951,827	239,320	756,280	545,959	210,321
Total US West Area	2,351,619	1,990,501	361,118	1,390,235	1,007,796	382,440	947,145	578,062	369,083
Other Areas *	276,006	365,044	(89,038)	131,581	184,823	(53,242)	70,855	106,013	(35,158)
Totals	14,665,589	14,665,589	0	7,425,225	7,425,225	0	4,259,038	4,259,038	0
Southwestern Bell Area									
Arkansas	265,796	144,211	121,585	175,545	73,014	102,531	113,800	41,880	71,920
Kansas	216,663	147,061	69,601	135,529	74,458	61,071	93,776	42,708	51,068
Missouri	423,818	482,535	(58,717)	256,867	244,309	12,558	175,081	140,133	34,948
Oklahoma	267,610	193,848	73,762	159,072	98,146	60,926	101,089	56,295	44,793
Texas	965,509	912,302	53,207	464,135	461,901	2,234	272,534	264,942	7,592
Total Southwestern Bell Area	2,139,396	1,879,957	259,439	1,191,147	951,827	239,320	756,280	545,959	210,321
Southwestern Bell Only									
Arkansas	210,153	29,975	180,178	127,806	15,176	112,629	78,812	8,705	70,107
Kansas	121,119	42,970	78,149	50,375	21,756	28,619	25,671	12,479	13,192
Missouri	257,967	82,961	175,006	100,914	42,003	58,911	55,170	24,093	31,077
Oklahoma	167,710	47,500	120,210	74,427	24,049	50,378	39,610	13,794	25,815
Texas	604,553	253,969	350,584	187,540	128,585	58,955	89,297	73,755	15,542
Total Southwestern Bell	1,361,502	457,376	904,126	541,062	231,570	309,492	288,560	132,827	155,733

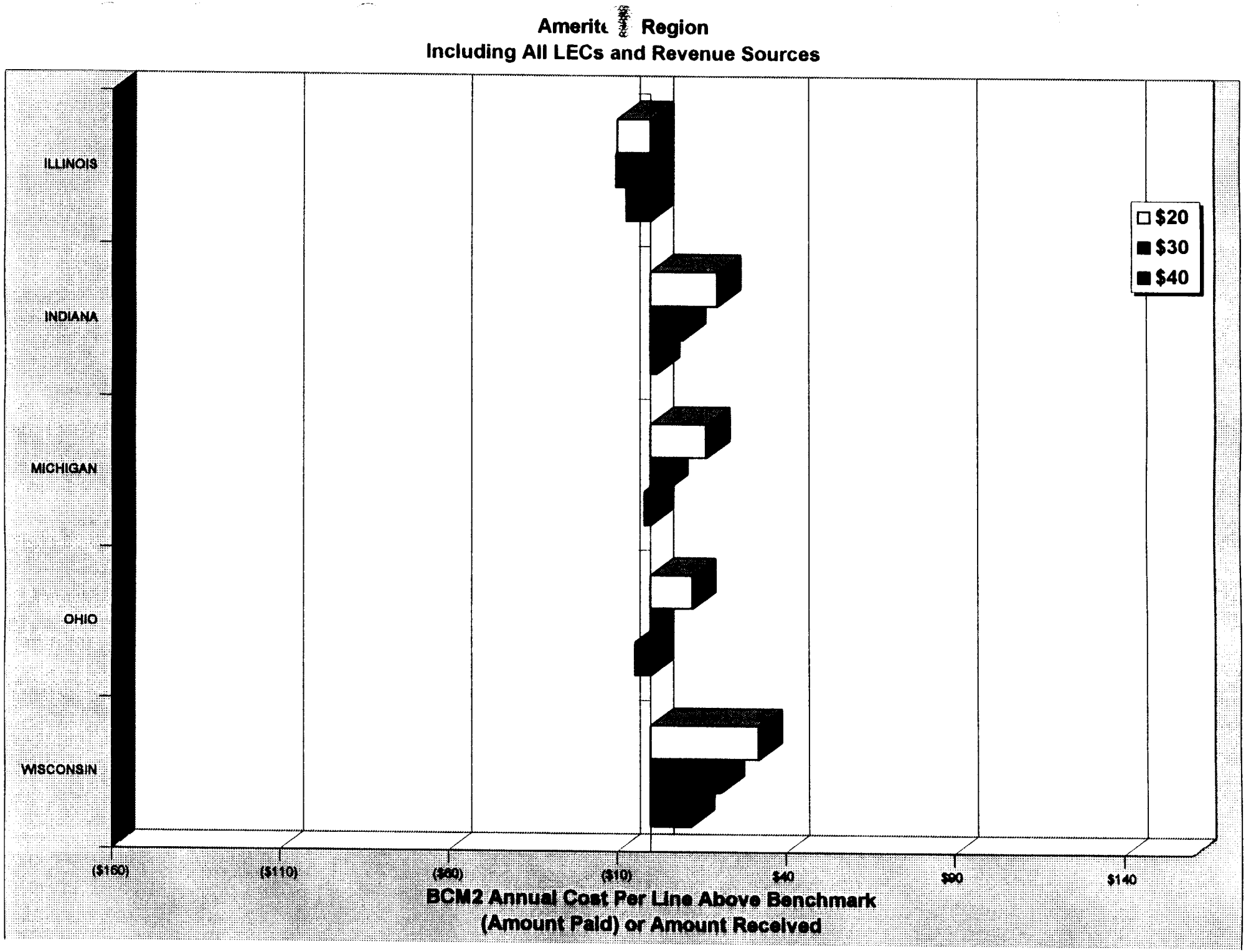
* Includes Alaska, Connecticut and Hawaii

USF SUPPORT BASED ON HATFIELD PROXY COST
FUND PAYMENT BASED ON 1995 NET INTERSTATE INDUSTRY REVENUES

	Hatfield Annual Costs Above $20			Hatfield Annual Costs Above $30			Hatfield Annual Costs Above $40		
	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss	Suport Received	Support Paid	Proxy Net Gain/Loss
RBOC Areas									
Total Ameritech Area	718,051	728,372	(10,321)	272,290	362,496	(90,205)	57,265	172,123	(114,858)
Total Bell Atlantic Area	415,129	740,075	(324,946)	109,156	368,320	(259,164)	12,047	174,888	(162,841)
Total Bell South Area	1,210,784	1,058,261	152,523	431,057	526,675	(95,617)	93,892	250,079	(156,187)
Total NYNEX Area	300,862	737,949	(437,086)	95,960	367,262	(271,302)	19,771	174,386	(154,614)
Total Pacific Bell Area	380,683	525,576	(144,893)	249,906	261,568	(11,662)	173,158	124,200	48,958
Total Southwestern Bell Area	1,091,998	683,166	408,833	682,682	339,997	342,684	378,876	161,440	217,437
Total US West Area	1,192,914	723,337	469,577	811,085	359,990	451,095	524,385	170,933	353,453
Other Areas *	18,969	132,655	(113,686)	190	66,020	(65,830)	0	31,348	(31,348)
Totals	5,329,391	5,329,391	(0)	2,652,326	2,652,326	0	1,259,395	1,259,395	0
Southwestern Bell Area									
Arkansas	134,133	52,405	81,728	72,090	26,081	46,009	26,784	12,384	14,400
Kansas	124,251	53,441	70,810	83,710	26,597	57,114	54,375	12,629	41,746
Missouri	207,657	175,350	32,307	130,198	87,268	42,930	60,575	41,437	19,138
Oklahoma	178,904	70,443	108,461	120,934	35,058	85,876	73,339	16,647	56,692
Texas	447,053	331,525	115,527	275,750	164,993	110,757	163,804	78,343	85,460
Total Southwestern Bell Area	1,091,998	683,166	408,833	682,682	339,997	342,684	378,876	161,440	217,437
Southwestern Bell Only									
Arkansas	69,186	10,893	58,294	22,391	5,421	16,970	3,454	2,574	880
Kansas	62,847	15,615	47,232	24,851	7,771	17,080	8,646	3,690	4,956
Missouri	87,107	30,148	56,960	36,329	15,004	21,326	165	7,124	(6,959)
Oklahoma	82,780	17,261	65,519	32,552	8,591	23,962	1,957	4,079	(2,122)
Texas	190,567	92,291	98,276	53,074	45,931	7,142	18,924	21,809	(2,885)
Total Southwestern Bell	492,488	166,208	326,280	169,197	82,718	86,479	33,146	39,277	(6,130)

* Includes Alaska, Connecticut and Hawaii

TAB 2


Ameritech Region
Including All LECs and Revenue Sources
ILLINOIS
INDIANA
MICHIGAN
OHIO
WISCONSIN
$20
$30
$40
($150)
($110)
($80)
($10)
$40
$90
$140
BCM2 Annual Cost Per Line Above Benchmark
(Amount Paid) or Amount Received

Bell Atlantic Region
Including All LECs and Revenue Sources